



Transportation
Security
Administration

OFFICE OF FINANCE AND ADMINISTRATION
Financial Management

TSA MANAGEMENT DIRECTIVE No. 1000.10-1
MANAGEMENT CONTROL PROGRAM

To enhance mission performance, TSA is committed to promoting a culture founded on its values of Integrity, Innovation and Team Spirit.

REVISION: This directive supersedes TSA MD 1000.10-1, *Management Control Program*, dated August 16, 2011.

SUMMARY OF CHANGES: Section 3, Authorities, removed OMB Circular A-127 and replaced with OMB Circular A-123, Appendix D and updated authority information for the GAO *Standards for Internal Control in the Federal Government*; Section 4, Definitions, removed Management Control Categories and added MCOP Site; Section 5, Responsibilities, updated requirements for Management Control Officer Appointment Memo and modified requirements for Management Control Program Manager Appointment Memo; and added various administrative updates for clarification throughout the directive.

1. **PURPOSE:** This directive provides TSA policy and procedures for implementing, evaluating and reporting on TSA's management controls.
2. **SCOPE:** This directive applies to all TSA organizational components.
3. **AUTHORITIES:**
 - A. Aviation and Transportation Security Act, Public Law (PL) 107-71, dated November 19, 2001, as amended
 - B. Chief Financial Officers Act of 1990, PL 101-576, dated January 23, 1990, as amended
 - C. Department of Homeland Security (DHS) Financial Accountability Act, PL 108-330, dated October 16, 2004
 - D. [DHS MD 1030, Corrective Action Plans, dated May 15, 2006](#)
 - E. Federal Managers' Financial Integrity Act (FMFIA) of 1982, PL 97-255, dated September 8, 1982, as amended
 - F. Government Accountability Office (GAO) GAO-14-704G, Standards for Internal Control in the Federal Government, dated September 2014
 - G. GAO-01-1088G, Internal Control Management and Evaluation Tool, dated August 2001
 - H. Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, dated December 21, 2004
 - I. OMB Circular A-123, Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996, dated September 20, 2013

J. OMB Circular A-130, Management of Federal Information Resources, dated November 28, 2000, as revised

K. TSA Management Control Policy Statement, December 23, 2013

4. DEFINITIONS:

- A. Assessable Unit: The basic organizational segment having one or more management control systems upon which periodic risk assessments must be performed.
- B. Assessable Unit Manager (AUM): A TSA Manager or employee directly responsible for ensuring that areas designated as assessable units under their control are managed in accordance with public law, DHS, and TSA guidance.
- C. Control Objective: A desired goal or condition to be achieved by the control techniques used on an assessable unit.
- D. Control Technique: Any form of organization procedure or document flow that is being relied on to accomplish a control objective.
- E. Internal Control: Also referred to as “management control.” (*See* Management Control).
- F. Management Control: Also referred to as “internal control,” an integral component of an organization’s management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.
- G. Management Control Assessments: Testing of internal control activities, processes and procedures to ensure that internal controls exist and that management control systems are implemented and working effectively. A determination of the effectiveness of the internal control is obtained during the testing process. Corrective actions are required if the testing determines the control to be moderately effective or ineffective.
- H. Management Control Objective Plan (MCOP): A plan developed by an assessable unit manager that establishes control objectives for areas most critical to mission accomplishment and susceptible to fraud, waste, and mismanagement.
- I. Management Control Objective Plan Assessment: A detailed examination of management controls performed by an assessable unit to determine whether the Management Control Objective Plan is effective in accomplishing administrative, operational, and mission objectives.
- J. Management Control Officer: Appointed by the Assistant Administrator/Chief Financial Officer to direct the agency’s implementation of and compliance with FMFIA.
- K. Management Control Plan: A summary of the TSA Management Control Program Activity for the current year prepared by the TSA Management Control Officer that indicates the number of scheduled and accomplished management control assessments, the identity of TSA assessable units, and progress toward accomplishment of annual program requirements.

- L. Management Control Program: The full scope of management responsibility as defined in this guidance, which states that responsibility extends from management's development of effective management controls, through their assessment and correction of deficiencies, to the reporting requirements of this guidance.
- M. Management Control Program Manager (MCPM): Government employee (s) designated by a Senior Mission Area Manager to serve as the focal point for management control activities in their organization.
- N. Management Control System: The sum of DHS and TSA methods and measures used to achieve the management control objectives - both the controls and the assessments of those controls.
- O. Management Control Techniques: Activities, processes and procedures that an assessable unit implements to ensure mission objectives are met.
- P. Material Weakness: A reportable condition, or combination of reportable conditions, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant reports, will not be prevented or detected.
- Q. MCOP Site: The online site for documentation of the management control objectives plans, assessments and correctives actions.
- R. Reasonable Assurance: A judgment by the Management Control Council, based upon an evaluation of all available information, that TSA systems of management controls are operating as required by the FMFIA.
- S. Risk: The probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources or cause an agency to fail to accomplish significant mission objectives through fraud, error, or mismanagement.
- T. Technique Process Owner (TPO): A subject matter expert who is responsible for the completion of the Management Control Objective Plan technique for an assessable unit. The TPO is assign by the AUM to a technique to assess in accordance with the verification process established for that technique on or before the completion date. The TPO cannot be the AUM. The TPO however, can be a MCPM.
- U. Senior Mission Area Manager: Assistant Administrators and equivalents, Federal Security Directors, and any other senior TSA manager responsible for a specific TSA mission area.
- V. Statement of Assurance: A statement by the agency head that provides reasonable assurance as to the overall adequacy and effectiveness of management controls within the agency.

NOTE: The statement must take one of the following forms – a Statement of Assurance, a Qualified Statement of Assurance, or a Statement of No Assurance.
- W. Supporting Statement of Assurance: A statement on reasonable assurance representing the Senior Mission Area Manager's informed decision as to the overall adequacy and effectiveness of management controls within his or her mission area.

NOTE: The statement must include an assessment of the mission area's Management Control Objective Plans and state whether material weaknesses were identified.

X. Vital Management Controls: Management Controls essential to the accomplishment of the overall TSA mission or responsibilities of a specific assessable unit.

5. RESPONSIBILITIES: To meet the FMFIA requirements, all government agencies must establish, evaluate, and report on management controls, and submit an annual "Statement of Assurance" to the President and the Congress. The Assistant Administrator for Finance and Administration/Chief Financial Officer is the senior official responsible for ensuring TSA compliance with the FMFIA. Specific responsibilities associated with the TSA Management Control Program are as follows:

A. Assistant Administrator for Finance and Administration/Chief Financial Officer (CFO) is responsible for:

- (1) Ensuring that the continuous evaluation of, improvement of, and reporting on the TSA management control system meets the requirements of the FMFIA, OMB, and DHS regulations.
- (2) Developing and issuing policy guidance for compliance and reporting requirements associated with the Management Control Program.
- (3) Submitting the annual Statement of Assurance to the TSA Administrator for signature. The Statement of Assurance is to be used as TSA's submission to DHS which in turn submits a consolidated statement to the Congress and the President.
- (4) Appointing a Management Control Officer to serve as the focal point for Management Control Program activities within TSA using the sample appointment memorandum provided with this directive (**Attachment 1**).

B. Assistant Administrator for Information Technology/Chief Information Officer is responsible for:

- (1) Assuring that proper controls, manual or automated, are in place in automated systems.
- (2) Management of the information technology general controls.
- (3) Providing guidance concerning the evaluation of management controls within automated systems.

C. Financial Management Division (FMD) is responsible for:

- (1) Providing technical advice, training and program direction to the TSA Management Control Program.
- (2) Providing guidance to program assessable unit managers in performing management control reviews.

- (3) Soliciting input from TSA activities to prepare the annual Statement of Assurance for submission to DHS.
- (4) Serving as the TSA lead for consolidating data and reporting the status of corrective actions associated with financial audits or other financial management reviews.
- (5) Reporting the internal control activities and results of the TSA Management Control Plan to the CFO.
- (6) Drafting and/or coordinating responses to financial audit and FMFIA inquiries from DHS, OMB, GAO, and the Congress.
- (7) Establishing quality control procedures to monitor the implementation of the management control process.
- (8) Developing periodic reports to DHS and TSA senior management officials on management control issues.
- (9) Preparing the annual FMFIA, Section 4, Statement of Assurance to document TSA's financial management system's conformance to Government-wide requirements.

D. Management Control Officer is responsible for:

- (1) Reporting on, and ensuring that TSA management control activities are administered in accordance with the FMFIA, OMB Circular A-123, and GAO Standards for Internal Control in the Federal Government.
- (2) Developing and maintaining an agency wide inventory of TSA assessable units capable of being evaluated by management control procedures.
- (3) Preparing and maintaining the TSA Management Control Plan in the MCOP site.
- (4) Monitoring management control assessments to ensure that they are performed as required, and determine if they meet the required documentation standards as described in OMB Circular A-123.
- (5) Performing continuous management control assessments across TSA on TSA internal controls, processes, and procedures to ensure that the internal controls are effective.
- (6) Providing training and guidance to Assessable Unit Managers and program managers on management control concepts and on the Management Control Program goals, policies, and procedures.
- (7) Monitoring program manager's Management Control Program activities and providing appropriate feedback.
- (8) Consolidating Management Control Program Manager's reports as required fulfilling DHS, TSA, and FMFIA requirements.

- (9) Obtaining current status and reports on corrective actions taken on material weaknesses and other reportable conditions associated with financial statement audits or other management control issues.
- (10) Consolidating Supporting Statements of Assurance and preparing the annual Statement of Assurance for CFO submission to the Management Control Council and the Administrator.
- (11) Performing periodic reviews of Management Control Program activities and the reporting process in accordance with the annual Management Control Plan.

E. Senior Mission Area Managers are responsible for:

- (1) Fulfilling Management Control Program responsibilities per this directive.
- (2) Establishing management control objectives for their mission areas.
- (3) Designating a Management Control Program Manager to manage their Management Control Program using the sample appointment memorandum provided with this directive (**Attachment 2**), and providing guidance to assessable unit managers in their organization.
- (4) Defining assessable units for their area of responsibility and identifying assessable unit managers and technique process owners for techniques.
- (5) Evaluating existing management controls by performing continuous assessments in the MCOP site to ensure they are efficient and cost-effective.
- (6) Preparing and signing an annual Supporting Statement of Assurance which states whether or not there is reasonable assurance that the objectives of the management control program for their mission areas were met. These statements collectively form the support for TSA's annual Statement of Assurance.
- (7) Reporting progress and compliance in response to Financial Management Division direction on management control program implementation and the status of material weakness corrective actions.
- (8) Preparing a Management Control Objective Plan (updated annually), which documents in the MCOP site the assessable units under their control, mission objectives and management control techniques used to achieve mission objectives.
- (9) Continuously monitoring and improving the effectiveness of management controls for their mission area.
- (10) Supporting and facilitating audits and reviews conducted by external (e.g., GAO, DHS Office of the Inspector General) and internal (e.g., Office of Inspection and FMD Internal Control Branch) oversight bodies.
- (11) Providing all requested documentation in a timely manner.

F. Management Control Program Managers are responsible for:

- (1) Serving as the focal point for management control within their mission area.
- (2) Following up on, and monitoring through correction, management control weaknesses identified during management control, and other assessments.
- (3) Overseeing the Management Control Program and maintaining the Management Control Objective Plan for their mission area. Ensuring the MCOP site information for their mission area is up-to-date and valid.
- (4) Providing guidance and training to managers and personnel within their mission areas.
- (5) Ensuring that Management Control Program assessments of assessable units under their responsibility are performed continuously, completely, accurately, and adequately in the MCOP site to support their mission areas' Supporting Statement of Assurance.
- (6) Reporting Management Control Program activity to the TSA Management Control Officer as required.
- (7) Working closely with the TSA Management Control Officer on all aspects of their Management Control Program and reporting on improvements and weaknesses.
- (8) Preparing the annual Supporting Statement of Assurance for their Senior Mission Area Managers' signature and submission to the CFO.

G. Assessable Unit Manager (AUM) are responsible for:

- (1) Ensuring areas under their control are managed in accordance with public law, DHS, and TSA guidance.
- (2) Developing and establishing vital management controls and a control objective for areas most critical to mission accomplishment and susceptible to fraud, waste, and mismanagement.
- (3) Ensuring that timely and continuous assessments are performed in the MCOP site of existing controls, and developing and implementing corrective actions as necessary.
- (4) Developing, implementing, and maintaining controls as an integral part of the processes used to operate the organization's programs and functions.
- (5) Reporting on management control assessments conducted on assessable units under their control.
- (6) Maintaining and providing assessable unit evaluation documentation to their Management Control Program Manager and the Management Control Officer to support the annual Statement of Assurance.

H. Technical Process Owners are responsible for:

- (1) Performing the assessment of the technique in the Management Control Objective Plan for the headquarters' office or airport that have been assign to them by the AUM.
- (2) Notifying the AUM that when the assessment is completed.
- (3) Notifying the AUM if there are issues in assessing a technique.
- (4) Assisting in the preparation of a Corrective Action plan if a technique receives a "Moderately Effective" or "Ineffective" rating.

6. POLICY:

- A. TSA will implement the Management Control Program at all levels, and management control processes will be included as part of the TSA basic management structure to improve effectiveness and accountability for results. The Program will be incorporated into daily operating and management practices and will maximize the use of existing evaluative processes when available.
- B. TSA will comply with requirements consistent with Section 4 of the FMFIA, which requires agencies to report on whether their accounting and financial systems conform to the standards and requirements prescribed by the Comptroller General.
- C. Requests for public release and disclosure of information about the Management Control Program, management control assessment results, supporting Statements of Assurance, or other information developed through the management control process are to be handled in accordance with the Freedom of Information Act procedures as established by the TSA's Freedom of Information Act office.

NOTE: TSA's annual Statement of Assurance may be made available, upon request, to the general public, except in the case of any Statement containing certain restricted information.

- D. Internal controls, as designated in Management Directives, Operational Directives, policies, procedures, Internal Standard Operating Procedures (ISOPs), and any other documented process or policy document cannot be overridden without proper approval and documentation from the responsible Senior Mission Area Manager for that area of responsibility.

7. PROCEDURES: Detailed guidance may be found in the *Management Control Program Manual*, which is available on the [Management Control SharePoint Site](#).

8. **APPROVAL AND EFFECTIVE DATE:** This policy is approved and effective the date of signature unless otherwise specified.

APPROVAL

Signed

March 17, 2015

Pat A. Rose, Jr
Assistant Administrator and Chief Financial Officer
Office of Finance and Administration

Date

EFFECTIVE

Date

Distribution: Assistant Administrators and equivalents, Federal Security Directors, and Office Directors

Point-of-Contact: FMD, InternalControl@tsa.dhs.gov

Attachment A

Sample Appointee Letter for the Management Control Officer

(TSA Letterhead)

TO: <Name of Appointee>

FROM: <Name >
 Assistant Administrator and Chief Financial Officer
 Office of Finance and Administration

SUBJECT: Letter of Appointment for TSA Management Control Officer

In accordance with MD 1000.10-1, Management Control Program, you are appointed the Management Control Officer for Management Control Program activities within the TSA.

As the focal point for management/internal control, your responsibilities include the following:

- Serve as the TSA point of contact for reporting on and ensuring that TSA management control activities are administered in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and the DHS Financial Accountability Act, where applicable.
- Develop and maintain an agency wide inventory of TSA assessable units capable of being evaluated by management control procedures.
- Prepare and maintain the TSA Management Control Plan in the MCOP site.
- Monitor management control assessments to determine if they meet the required documentation standards as described in OMB Circular A-123.
- Provide training and guidance to program and assessable unit managers on management control concepts and on the management control program goals, policies and procedures.
- Monitor program manager's management control program activities providing appropriate feedback.
- Consolidate management control program manager's reports as required to fulfill Department, Agency and FMFIA requirements.
- Obtain current status and report on corrective actions taken on material weaknesses and other reportable conditions associated with financial statement audits or other management control issues.
- Provide guidance and assistance to programs and assessable units responsible for implementation of corrective actions.
- Consolidate TSA year-end supporting Statements of Assurance and prepare the Annual Statement of Assurance for submission to the TSA Administrator.
- Facilitate all meetings and working groups associated with the TSA Management Control Council.
- <Any additional duties as required>

Responsibilities will be carried out in accordance with the guidance of the Assistant Administrator and Chief Financial Officer, Office of Finance and Administration. Accordingly, questions concerning this appointment should be addressed to the Assistant Administrator and Chief Financial Officer, Office of Finance and Administration.

Attachment B

Management Control Program Manager Appointment Memo – Sample

(TSA Letterhead)

DATE: <Date>

TO: <Name of Designee>

FROM: <Name and Title of Senior Mission Area Manager>

SUBJECT: Letter of Designation for Management Control Program Manager

In accordance with MD 1000.10-1, Management Control Program, you are hereby designated as the Management Control Program Manager for all activities under my area of responsibility.

This is a collateral duty and should be included as part of your regular responsibilities. As the focal point for management/internal control, you are responsible for the following:

- Oversee the management control program and maintain the management control objective plan for the following areas: <List mission areas>
- Ensure management control assessments are performed completely, accurately, and adequately in the MCOP site to support the annual year-end Supporting Statement of Assurance.
- Actively follow up on, and monitor through correction, management control weaknesses identified during management control and other assessments.
- Provide guidance and training to managers and personnel within their designated mission areas.
- Report management control program activity to the TSA Management Control Officer as required.
- Work closely with the TSA Management Control Officer on all aspects of management control program reporting on improvements and weaknesses.
- Prepare the annual Supporting Statement of Assurance for Senior Mission Area Manager's signature and submission to the Assistant Administrator and Chief Financial Officer, Office of Finance and Administration.
- Maintain knowledge base of on-going and future Management Control Program activities based on information provided by the TSA Management Control Officer.
- Prepare and deliver a Management Control Program status briefing to senior management prior to attendance at the Management Control Council (if required).
- *Add additional duties as required.*

Additionally, you are responsible for completing the MCOP Site MCPM training annually and other internal control training as necessary. Additional assistance in fulfilling your responsibilities may be obtained by contacting the Financial Management Division, Internal Control Branch at internalcontrol@tsa.dhs.gov.